

**CLARINDA
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2007

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CLARINDA COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September, 2006 Election)

Dale Fulk	President	2006
Scott McComb	Vice President	2007
Seth Watkins		2008
Larry Scherf		2008
Pallin Turner		2006

(After September, 2006 Election)

Scott McComb	President	2007
Seth Watkins	Vice President	2008
Dale Fulk		2009
Larry Scherf		2008
Pallin Turner		2009

SCHOOL OFFICIALS

Paul Honnold	Superintendent
Cindy VanFossen	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

To the Board of Education of
Clarinda Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Clarinda Community School District, Clarinda, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clarinda Community School District as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 4, 2008 on our consideration of Clarinda Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

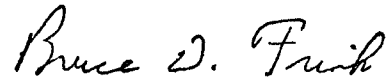
Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 25 years of Expertise and Experience
- Evenings & Saturdays Available
- Extended Hours During Tax Season

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarinda Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



BRUCE D. FRINK
Certified Public Accountant

January 4, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

CLARINDA COMMUNITY SCHOOL DISTRICT

Clarinda Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,341,116 in fiscal year 2006 to \$8,837,176 in fiscal year 2007 (a 6% increase), while General Fund expenditures increased from \$8,407,153 in fiscal year 2006 to \$8,843,279 in fiscal year 2007 (a 6% increase).
- The increase in General Fund revenues was primarily attributable to an increase in tuition and state and federal aid in connection with the Clarinda Youth Academy. Educational services increased at the Academy and by state law are included in the financial records of the District. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and special education expenditures. The unreserved General Fund balance decreased by less than 1 percent.
- The District continues its 28E sharing agreement with New Market Community School District. New Market tuitions its students in grades 7-12 to Clarinda.
- The School Infrastructure Local Option Sales Tax continues to be collected. It currently is being used for the retirement of long-term debt.
- The District's Capital Projects Fund increased over \$420,000 as funds are accumulated for payments on long term debt and future capital improvements.
- The District's enrollment decreased by 78.1 students.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Gilmore City-Bradgate Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Gilmore City-Bradgate Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Gilmore City-Bradgate Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Clarinda Community School District Annual Financial Report

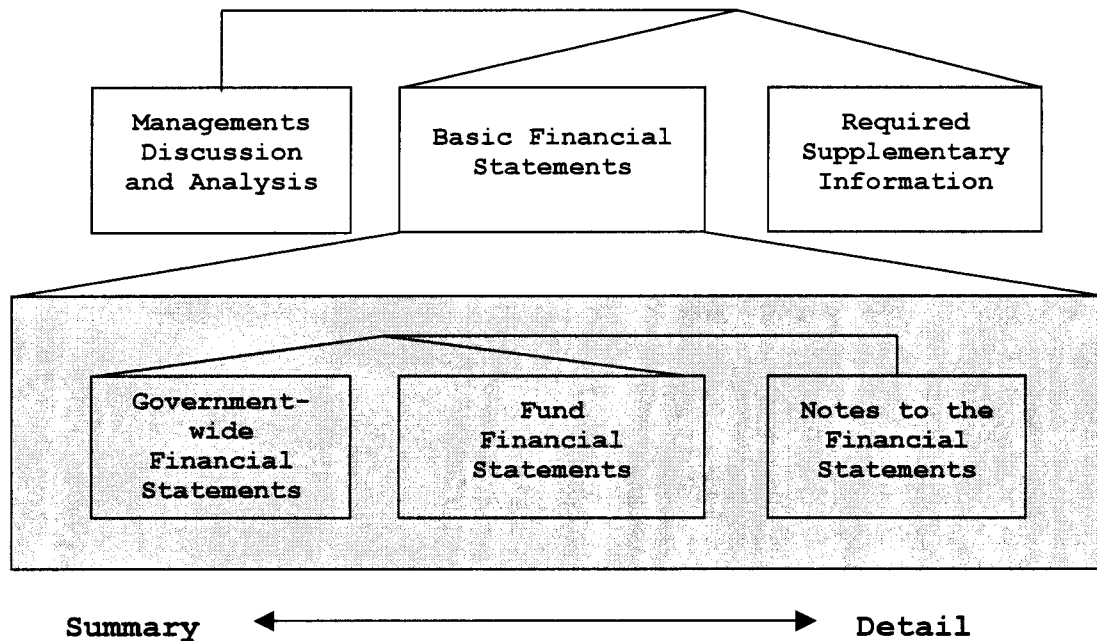


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	. Statement of net assets . Statement of activities	. Balance sheet . Statement of revenues, expenditures, and changes in fund balances	. Statement of net assets . Statement of revenues, expenses and changes in net assets . Statement of cash flows	. Statement of fiduciary net assets . Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The two government-wide statements report the District's *net assets* and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition and community education programs are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The District's governmental funds include the General Fund, Special Revenue Funds, and Debt Service Fund.
- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Cardinal Kids Zone Fund.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others.

Private-Purpose Trust Funds - These are funds donated to the District to be used for specific purposes, such as scholarships.

Agency Funds - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Financial Analysis of the District as a Whole

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2007 compared to 2006.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	2007	2006	2007	2006	2007	2006	2006-2007
	\$	\$	\$	\$	\$	\$	
Current assets	6,502	5,718	196	172	6,698	5,890	13.72%
Capital assets	8,456	8,559	43	50	8,499	8,609	-1.28%
Total assets	<u>14,958</u>	<u>14,277</u>	<u>239</u>	<u>222</u>	<u>15,197</u>	<u>14,499</u>	<u>4.81%</u>
Current liabilities	3,474	3,569	22	18	3,496	3,587	-2.54%
Non-current liabilities	3,020	3,020	-	-	3,020	3,020	0.00%
Total liabilities	<u>6,494</u>	<u>6,589</u>	<u>22</u>	<u>18</u>	<u>6,516</u>	<u>6,607</u>	<u>-1.38%</u>
Net Assets							
Invested in capital assets, net of related debt	5,436	5,044	43	50	5,479	5,094	7.56%
Restricted	1,582	1,212	-	-	1,582	1,212	30.53%
Unrestricted	1,446	1,432	174	154	1,620	1,586	2.14%
Total net assets	<u>8,464</u>	<u>7,688</u>	<u>217</u>	<u>204</u>	<u>8,681</u>	<u>7,892</u>	<u>10.00%</u>

The District's net assets grew by over 10% primarily due to the accumulation of capital projects monies. Spending on capital assets exceeded depreciation expenses as the District continues to update its equipment and facilities. The unrestricted assets of the District decreased slightly as declining enrollment forces the District to control discretionary spending.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 and 2006.

Figure A-4
Change in Net Assets
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
	\$	\$	\$	\$	\$	\$	%
Revenues:							
Program revenues:							
Charges for service and sales	1,443	1,396	235	232	1,678	1,628	3.07%
Operating grants, contributions and restricted interest	1,740	1,546	214	208	1,954	1,754	11.40%
General revenues:							
Property tax	2,563	2,592	-	-	2,563	2,592	-1.12%
Income surtax	148	141	-	-	148	141	4.96%
Local option sales tax	620	484	-	-	620	484	28.10%
Unrestricted state grants	3,873	3,541	-	-	3,873	3,541	9.38%
Unrestricted investment earnings	71	59	-	-	71	59	20.34%
Other	<u>2</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>5</u>	<u>-60.00%</u>
Total revenues	<u>10,460</u>	<u>9,764</u>	<u>449</u>	<u>440</u>	<u>10,909</u>	<u>10,204</u>	<u>6.91%</u>
Program expenses:							
Governmental activities:							
Instruction	6,319	6,028	-	-	6,319	6,028	4.83%
Support Services	2,552	2,391	-	-	2,552	2,391	6.73%
Non-instructional programs	-	-	436	416	436	416	4.81%
Other expenses	<u>812</u>	<u>758</u>	<u>-</u>	<u>-</u>	<u>812</u>	<u>758</u>	<u>7.12%</u>
Total expenses	<u>9,683</u>	<u>9,177</u>	<u>436</u>	<u>416</u>	<u>10,119</u>	<u>9,593</u>	<u>5.48%</u>
Change in net assets	<u>777</u>	<u>587</u>	<u>13</u>	<u>24</u>	<u>790</u>	<u>611</u>	<u>29.30%</u>

Property tax and unrestricted state grants account for 59% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 88% of the total expenses.

GOVERNMENTAL ACTIVITIES

Revenues for governmental activities were \$10,459,358 and expenses were \$10,076,868. Capital projects funds being saved for future projects accounted for the majority of the increase in net assets.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-2007	2007	2006	Change 2006-2007
	\$	\$		\$	\$	
Instruction	6,319	6,028	4.83%	3,622	3,496	3.60%
Support Services	2,552	2,391	6.73%	2,416	2,282	5.87%
Other expenses	812	758	7.12%	462	457	1.09%
Totals	<u>9,683</u>	<u>9,177</u>	<u>5.51%</u>	<u>6,500</u>	<u>6,235</u>	<u>4.25%</u>

- The cost financed by users of the District's programs was \$1,442,813 (a 4% increase).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,060,378 (a 4% increase).
- The net cost of governmental activities was financed with \$2,562,875 in property tax (a 1% decrease), \$3,872,988 in state foundation aid, and \$70,801 in interest income.

Business Type Activities

Revenues of the District's business type activities were \$449,019 and expenses were \$435,701. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Financial Analysis of the District's Funds

As previously noted the Clarinda Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$8,464,262, eleven percent above last year's ending fund balances of \$7,687,205.

This was primarily due to the increase in the capital projects fund.

Governmental Fund Highlights

- The District attempted to maintain its General Fund balance by cutting expenses from portions of the budget that were not already obligated, such as supplies and maintenance items.
- The District is accumulating capital projects money for debt retirement and future capital expenditures.

Proprietary Fund Highlights

The Nutrition Fund increased due to increased revenues while holding salary costs steady. The District has attempted to maintain prices at a reasonable level.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund, Debt Service, Capital Project, Enterprise and Special Revenue Funds are not presented in the budgetary comparison on pages 31 thru 33.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$43,000 more than the total budgeted receipts. The most significant change resulted in the District receiving more in miscellaneous local income than originally anticipated. This offset receiving less than expected from the state and federal governments.

Total expenditures were over \$1.4 million less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year. The District exceeded the amount budgeted in the Support Services function, but did not exceed the total budgeted amount for expenditures. The District also did not exceed the General Fund unspent authorized budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2007, the District has invested more than \$13,600,000 in a broad range of capital assets including school buildings, athletic facilities, central kitchen, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. Total depreciation expense for the year exceeded \$390,000.

Figure A-6
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
	\$	\$	\$	\$	\$	\$	
Land	116	116	-	-	116	116	0.00%
Land improvements	1,052	1,123	-	-	1,052	1,123	-6.32%
Buildings	6,900	6,893	-	-	6,900	6,893	0.10%
Furniture and equipment	388	427	43	50	431	477	-9.64%
Totals	8,456	8,559	43	50	8,499	8,609	-1.28%

Long - Term Debt

The District has \$605,000 of revenue bonds that will fully mature in 2011. The interest rates on this debt ranges from 4.70% to 4.80%. Payments will be made from proceeds of the school infrastructure and local option sales and services tax.

The District issued \$3,150,000 of general obligation bonds in 2005, of which 2,415,000 is still outstanding at June 30, 2007. These funds plus \$790,000 of sales tax revenues were used to retire the existing general obligation bonds. The new bonds will fully mature in 2011, more than five years earlier than the original issue. The interest rates on the new bonds are more than 1.5% less than on the old debt. The District may repay principal on the new debt whenever it desires.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total		Total
	District		Change
	June 30,		June 30,
	2007	2006	2006-2007
	\$	\$	
General obligation bonds	2,415	2,800	-13.75%
Revenue bonds	<u>605</u>	<u>715</u>	<u>-15.38%</u>
Total	<u>3,020</u>	<u>3,515</u>	<u>-14.08%</u>

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District's enrollment decreased eight percent from fiscal year 2006. Future enrollment trends are uncertain. Open enrollment in students from other districts decreased by 4 students, thus lowering the Districts' miscellaneous income from prior years.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- Health insurance costs continue to be a concern for the District. Increased rates based on usage have brought this issue to the forefront when calculating the District's budget.
- Once again unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.
- The District maintains an agreement with Clarinda Youth Academy to administer some of their educational programs. Continuation of this agreement will continue to assist the District.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Paul Honnold, Superintendent, Clarinda Community School District, 423 E Nodaway, Clarinda, IA 51632.

Basic Financial Statements

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	2,741,997	174,270	2,916,267
Receivables:			
Property tax:			
Current year	30,035	-	30,035
Succeeding year	2,788,746	-	2,788,746
Income surtax	121,910	-	121,910
Due from other governments	294,012	-	294,012
Other receivables	525,819	-	525,819
Inventories	-	22,147	22,147
Capital assets, net of accumulated depreciation (note 3)	8,455,705	43,057	8,498,762
Total assets	14,958,224	239,474	15,197,698
Liabilities			
Accounts payable	613,768	-	613,768
Accrued salary and benefits	58,072	22,286	80,358
Accrued interest payable	9,396	-	9,396
Deferred revenue:			
Succeeding year property tax	2,788,746	-	2,788,746
Federal programs	3,980	-	3,980
Long term liabilities:			
Portion due within one year:			
General obligation bonds (note 4)	395,000	-	395,000
Revenue bonds (note 9)	115,000	-	115,000
Portion due after one year:			
General obligation bonds (note 4)	2,020,000	-	2,020,000
Revenue bonds (note 9)	490,000	-	490,000
Total liabilities	6,493,962	22,286	6,516,248
Net assets			
Invested in capital assets, net of related debt	5,435,705	43,057	5,478,762
Restricted for:			
Management fund	205,155	-	205,155
Debt service	86,365	-	86,365
Physical plant and equipment levy	282,163	-	282,163
Capital projects	1,008,807	-	1,008,807
Unrestricted	1,446,067	174,131	1,620,198
Total net assets	8,464,262	217,188	8,681,450

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

	Program Revenues					Business Type Activities	Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities			
	\$	\$	\$	\$	\$	\$	\$
Functions/Programs							
Governmental activities:							
Instruction:	6,319,374	1,340,106	1,357,130	(3,622,138)	-	-	(3,622,138)
Support services:							
Student services	301,676	-	-	(301,676)	-	-	(301,676)
Instructional staff services	345,284	-	-	(345,284)	-	-	(345,284)
Administration services	905,626	102,707	-	(802,919)	-	-	(802,919)
Operation and maintenance of plant services	670,327	-	33,715	(636,612)	-	-	(636,612)
Transportation services	329,241	-	-	(329,241)	-	-	(329,241)
	2,552,154	102,707	33,715	(2,415,732)	-	-	(2,415,732)
Other expenditures:							
Interest on long-term debt	129,356	-	12,195	(117,161)	-	-	(117,161)
Long-term debt services	1,000	-	-	(1,000)	-	-	(1,000)
Facilities acquisition and construction	61,516	-	30,507	(31,009)	-	-	(31,009)
AEA flowthrough	306,881	-	306,881	-	-	-	-
Depreciation (unallocated)*	312,948	-	-	(312,948)	-	-	(312,948)
	811,701	-	349,583	(462,118)	-	-	(462,118)
Total governmental activities	9,683,229	1,442,813	1,740,428	(6,499,988)	-	-	(6,499,988)

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

	Program Revenues				Governmental Activities	Business Type Activities	Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest				
	\$	\$	\$	\$	\$	\$	\$
Business type activities:							
Non-instructional programs:							
Food service operations	435,701	234,725	214,294	-	13,318	13,318	13,318
Community service and education	-	-	-	-	-	-	-
	<u>435,701</u>	<u>234,725</u>	<u>214,294</u>	-	<u>13,318</u>	<u>13,318</u>	<u>13,318</u>
Total	10,118,930	1,677,538	1,954,722	(6,499,988)	13,318	(6,486,670)	
General revenues:							
Property tax levied for:							
General purposes				1,870,263	-	1,870,263	
Management fund				150,252	-	150,252	
Capital outlay				56,521	-	56,521	
Debt service				485,839	-	485,839	
Income surtax				148,111	-	148,111	
Local option sales tax				619,520	-	619,520	
Unrestricted state grants				3,872,988	-	3,872,988	
Unrestricted investment earnings				70,801	-	70,801	
Other				<u>2,750</u>	-	<u>2,750</u>	
Total general revenue				7,277,045	-	7,277,045	
Change in net assets				777,057	13,318	790,375	
Net assets beginning of year				7,687,205	203,870	7,891,075	
Net assets end of year				<u>8,464,262</u>	<u>217,188</u>	<u>8,681,450</u>	

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements

CLARINDA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2007

	General	Physical Plant and Equipment Levy	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$	\$
Cash and pooled investments	1,087,925	281,508	80,735	873,856	417,973	2,741,997
Receivables:						
Property tax:						
Current year	21,984	655	5,630	-	1,766	30,035
Succeeding year	2,124,919	56,781	482,046	-	125,000	2,788,746
Income surtax	121,910	-	-	-	-	121,910
Due from other governments	159,061	-	-	134,951	-	294,012
Other receivables	525,819	-	-	-	-	525,819
Total assets	<u>4,041,618</u>	<u>338,944</u>	<u>568,411</u>	<u>1,008,807</u>	<u>544,739</u>	<u>6,502,519</u>

Assets

CLARINDA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2007

	General	Physical Plant and Equipment Levy	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$	\$
Liabilities:						
Accounts payable	555,975	-	-	-	57,793	613,768
Accrued salary and benefits	58,072	-	-	-	-	58,072
Deferred revenue:						
Succeeding year property tax	2,124,919	56,781	482,046	-	125,000	2,788,746
Income surtax	121,910	-	-	-	-	121,910
Federal programs	3,980	-	-	-	-	3,980
Total liabilities	<u>2,864,856</u>	<u>56,781</u>	<u>482,046</u>	<u>-</u>	<u>182,793</u>	<u>3,586,476</u>
Fund balances:						
Reserved for debt services	-	-	86,365	-	-	86,365
Reserved for capital projects	-	-	-	1,008,807	-	1,008,807
Unreserved	1,176,762	282,163	-	-	361,946	1,820,871
Total fund balances	<u>1,176,762</u>	<u>282,163</u>	<u>86,365</u>	<u>1,008,807</u>	<u>361,946</u>	<u>2,916,043</u>
Total liabilities and fund balances	<u>4,041,618</u>	<u>338,944</u>	<u>568,411</u>	<u>1,008,807</u>	<u>544,739</u>	<u>6,502,519</u>

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2007

Total fund balances of governmental funds (Exhibit C)	\$ 2,916,043
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**Amounts reported for governmental activities in the
statement of net assets are different because:**

Income surtax receivable at June 30, 2007 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	121,910
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,455,705
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Accrued interest payable on long-term liabilities is not due and payable in the current period and , therefore, is not reported as a liability in the governmental funds.	(9,396)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

General obligation bonds payable	\$ (2,415,000)	
Revenue bonds payable	<u>(605,000)</u>	<u>(3,020,000)</u>

Net assets of governmental activities (Exhibit A)	<u><u>\$ 8,464,262</u></u>
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See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund

Year ended June 30, 2007

	General	Physical Plant and Equipment Levy	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	2,017,446	56,521	485,839	619,520	150,252	3,329,578
Tuition	1,340,106	-	-	-	-	1,340,106
Other	240,023	14,288	11,744	30,507	252,865	549,427
State sources	4,687,130	53	451	-	142	4,687,776
Federal sources	552,471	-	-	-	-	552,471
Total revenues	8,837,176	70,862	498,034	650,027	403,259	10,459,358
Expenditures:						
Instruction:	6,012,066	-	-	-	307,308	6,319,374
Support services:						
Student services	301,676	-	-	-	-	301,676
Instructional staff services	345,284	-	-	-	-	345,284
Administration services	901,058	-	-	-	4,568	905,626
Operation and maintenance of plant services	764,963	-	-	-	49,649	814,612
Transportation services	211,351	66,690	-	-	13,675	291,716
	2,524,332	66,690	-	-	67,892	2,658,914

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund

Year ended June 30, 2007

	General	Physical Plant and Equipment Levy	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$	\$
Other expenditures:						
Long-term debt:						
Principal	-	-	495,000	-	-	495,000
Interest	-	-	130,865	-	-	130,865
Services	-	-	1,000	-	-	1,000
Facilities acquisition and construction	-	144,321	-	20,513	-	164,834
AEA flowthrough	306,881	-	-	-	-	306,881
	<u>306,881</u>	<u>144,321</u>	<u>626,865</u>	<u>20,513</u>	<u>-</u>	<u>1,098,580</u>
Total expenditures	<u>8,843,279</u>	<u>211,011</u>	<u>626,865</u>	<u>20,513</u>	<u>375,200</u>	<u>10,076,868</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,103)</u>	<u>(140,149)</u>	<u>(128,831)</u>	<u>629,514</u>	<u>28,059</u>	<u>382,490</u>
Other financing sources (uses):						
Operating transfers in	-	66,690	141,825	-	-	208,515
Operating transfers out	-	-	-	(208,515)	-	(208,515)
	<u>-</u>	<u>66,690</u>	<u>141,825</u>	<u>(208,515)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(6,103)</u>	<u>(73,459)</u>	<u>12,994</u>	<u>420,999</u>	<u>28,059</u>	<u>382,490</u>
Fund balances beginning of year	<u>1,182,865</u>	<u>355,622</u>	<u>73,371</u>	<u>587,808</u>	<u>333,887</u>	<u>2,533,553</u>
Fund balances end of year	<u>1,176,762</u>	<u>282,163</u>	<u>86,365</u>	<u>1,008,807</u>	<u>361,946</u>	<u>2,916,043</u>

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2007

Net change in fund balances - total governmental funds (Exhibit E) \$ 382,490

**Amounts reported for governmental activities in the
statement of activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities 928

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 284,221	
Depreciation expense	<u>(387,091)</u>	(102,870)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,509

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	-	
Repaid	<u>495,000</u>	<u>495,000</u>

Change in net assets of governmental activities (Exhibit B) \$ 777,057

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Net Assets
Proprietary Funds

June 30, 2007

	School Nutrition	Cardinals Kids Zone	Total
	\$	\$	
Assets			
Cash and pooled investments	157,588	16,682	174,270
Inventories	22,147	-	22,147
Capital assets, net of accumulated depreciation	43,057	-	43,057
Total assets	<u>222,792</u>	<u>16,682</u>	<u>239,474</u>
Liabilities			
Accrued salary and benefits	<u>22,286</u>	<u>-</u>	<u>22,286</u>
Net assets			
Invested in capital assets, net of related debt	43,057	-	43,057
Unrestricted	<u>157,449</u>	<u>16,682</u>	<u>174,131</u>
Total net assets	<u>200,506</u>	<u>16,682</u>	<u>217,188</u>

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2007

	School Nutrition	Cardinals Kids Zone	Total
	\$		
Operating revenue:			
Local sources:			
Charges for services	<u>234,725</u>	<u>-</u>	<u>234,725</u>
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	132,329	-	132,329
Benefits	57,611	-	57,611
Services	1,978	-	1,978
Supplies	234,150	-	234,150
Depreciation	<u>9,633</u>	<u>-</u>	<u>9,633</u>
	<u>435,701</u>	<u>-</u>	<u>435,701</u>
Other enterprise operations:			
Supplies	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>435,701</u>	<u>-</u>	<u>435,701</u>
Operating (loss)	<u>(200,976)</u>	<u>-</u>	<u>(200,976)</u>
Non-operating revenues:			
Interest on investments	6,640	-	6,640
State sources	5,943	-	5,943
Federal sources	<u>201,711</u>	<u>-</u>	<u>201,711</u>
	<u>214,294</u>	<u>-</u>	<u>214,294</u>
Change in net assets	13,318	-	13,318
Net assets beginning of year	<u>187,188</u>	<u>16,682</u>	<u>203,870</u>
Net assets end of year	<u>200,506</u>	<u>16,682</u>	<u>217,188</u>

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2007

	School Nutrition	Cardinals Kids Zone	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of services	234,725	-	234,725
Cash payments to employees for services	(185,906)	-	(185,906)
Cash payments to suppliers for goods or services	(212,096)	-	(212,096)
Net cash provided by (used in) operating activities	(163,277)	-	(163,277)
Cash flows from non-capital financing activities:			
State grants received	5,943	-	5,943
Federal grants received	172,943	-	172,943
Net cash provided by non-capital financing activities	178,886	-	178,886
Cash flows from capital financing activities:			
Acquisition of fixed assets	(2,884)	-	(2,884)
Cash flows from investing activities:			
Interest on investments	6,640	-	6,640
Net increase in cash and cash equivalents	19,365	-	19,365
Cash and cash equivalents beginning of year	138,223	16,682	154,905
Cash and cash equivalents end of year	157,588	16,682	174,270
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income (loss)	(200,976)	-	(200,976)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:			
Depreciation	9,633	-	9,633
Commodities used	28,768	-	28,768
(Increase) in inventory	(4,736)	-	(4,736)
Increase in accrued payroll and benefits	4,034	-	4,034
	(163,277)	-	(163,277)
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:			
Current assets:			
Cash	157,588	16,682	174,270

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received federal commodities valued at \$28,768.

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2007

	Private Purpose Trusts	Agency
	\$	\$
Assets		
Cash and pooled investments	32,535	10,228
Liabilities		
Other payables	-	10,228
Net Assets		
Reserved for special purposes	32,535	-

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2007

	Private Purpose Trust
	<u>\$</u>
Additions:	
Local sources:	
Interest on investments	1,154
Contributions	<u>5,814</u>
Total additions	<u>6,968</u>
Deductions:	
Support services:	
Other	<u>2,952</u>
Total deductions	<u>2,952</u>
Change in net assets	4,016
Net assets beginning of year	<u>28,519</u>
Net assets end of year	<u><u>32,535</u></u>

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

Clarinda Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Clarinda, Iowa, and agricultural territory in Page County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Clarinda Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Clarinda Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Page County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Physical Plant and Equipment Levy is used to purchase equipment (over \$500 per item) and for major repairs and improvements to buildings and grounds. It is funded primarily through a combination of property tax and income surtax.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition and Community Education Funds. These funds are used to account for the food service and community wide education operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent of individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operation.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Property, furniture and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2007.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures exceeded the amount budgeted in the Support Services function.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2007 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public fund.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$2,253,374</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk - The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk - The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	115,863	-	-	115,863
Capital assets being depreciated:				
Land Improvements	1,562,908	7,905	-	1,570,813
Buildings	10,848,700	207,526	-	11,056,226
Furniture and Equipment	1,128,163	68,790	15,693	1,181,260
Total capital assets being depreciated	13,539,771	284,221	15,693	13,808,299
Less accumulated depreciation for:				
Land Improvements	440,339	78,541	-	518,880
Buildings	3,955,702	201,105	-	4,156,807
Furniture and Equipment	701,018	107,445	15,693	792,770
Total accumulated depreciation	5,097,059	387,091	15,693	5,468,457
Total capital assets being depreciated, net	8,442,712	(102,870)	-	8,339,842
Governmental activities, capital assets, net	8,558,575	(102,870)	-	8,455,705
Business type activities:				
Furniture and equipment	113,336	2,884	-	116,220
Less accumulated depreciation	63,530	9,633	-	73,163
Business type activities capital assets, net	49,806	(6,749)	-	43,057
Depreciation expense was charged to the following functions:				
Governmental activities:				
Support services:				
Transportation				74,143
Unallocated				312,948
				387,091
Business Type activities:				
Food service operations				9,633

(4) General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates %</u>	<u>Interest \$</u>	<u>Principal \$</u>	<u>Total \$</u>
2008	3.375	86,646	395,000	481,646
2009	3.400	73,315	410,000	483,315
2010	3.550	59,375	425,000	484,375
2011	3.650	44,288	440,000	484,288
2012	3.750	28,227	455,000	483,227
2013	3.850	11,165	290,000	301,165
Total		<u>\$303,016</u>	<u>2,415,000</u>	<u>2,718,016</u>

(5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2007 is as follows:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Total</u>
Balance beginning of year	\$2,800,000	715,000	3,515,000
Additions	-	-	-
Reductions	<u>385,000</u>	<u>110,000</u>	<u>495,000</u>
Balance end of year	<u>\$2,415,000</u>	<u>605,000</u>	<u>3,520,000</u>

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$266,289, \$256,677, and \$251,231 respectively, equal to the required contributions for each year.

(7) Risk Management

Clarinda Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance, except as described in the following paragraph. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$306,881 for year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Revenue Bonds Payable

Details of the District's June 30, 2007 School Infrastructure Sales and Services Tax Revenue bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates %</u>	<u>Interest \$</u>	<u>Principal \$</u>	<u>Total \$</u>
2008	4.70	26,103	115,000	141,103
2009	4.70	20,580	120,000	140,580
2010	4.80	14,640	130,000	144,640
2011	4.80	<u>5,760</u>	<u>240,000</u>	<u>245,760</u>
Total		<u>67,083</u>	<u>605,000</u>	<u>672,083</u>

(10) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$141,825
Physical Plant and Equipment Levy	Capital Projects	<u>66,690</u>
		<u>\$208,515</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Required Supplementary Information

CLARINDA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts	Final to Actual Variance - Positive (Negative)
	Actual	Actual	Actual	Original	Final
	\$	\$	\$	\$	\$
Revenues					
Local sources	5,219,111	241,365	5,460,476	5,199,352	5,199,352
State sources	4,687,776	5,943	4,693,719	4,870,637	4,870,637
Federal sources	552,471	201,711	754,182	795,000	795,000
Total revenues	10,459,358	449,019	10,908,377	10,864,989	10,864,989
Expenditures					
Instruction	6,319,374	-	6,319,374	7,066,466	7,066,466
Support services	2,658,914	-	2,658,914	2,365,000	2,365,000
Non-instructional programs	-	435,701	435,701	614,591	614,591
Other expenditures	1,098,580	-	1,098,580	1,934,240	1,934,240
Total expenditures	10,076,868	435,701	10,512,569	11,980,297	11,980,297
Excess of revenues over expenditures	382,490	13,318	395,808	(1,115,308)	(1,115,308)
Other financing sources (uses)	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	382,490	13,318	395,808	(1,115,308)	(1,115,308)
Balance beginning of year	2,533,553	203,870	2,737,423	2,626,745	2,626,745
Balance end of year	2,916,043	217,188	3,133,231	1,511,437	1,511,437

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures exceeded the amount budgeted in the Support Services function. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2007

	<u>Management</u>	<u>Student</u> <u>Activity</u>	<u>Total</u>
	\$	\$	\$
Assets			
Cash and pooled investments	261,182	156,791	417,973
Property tax receivable:			
Current year	1,766	-	1,766
Succeeding year	125,000	-	125,000
Other receivables	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>387,948</u>	<u>156,791</u>	<u>544,739</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	57,793	-	57,793
Deferred revenue:			
Succeeding year property tax	<u>125,000</u>	<u>-</u>	<u>125,000</u>
	<u>182,793</u>	<u>-</u>	<u>182,793</u>
Fund balance:			
Unreserved fund balance	<u>205,155</u>	<u>156,791</u>	<u>361,946</u>
Total liabilities and fund balance	<u>330,155</u>	<u>156,791</u>	<u>486,946</u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2007

	Management	Student Activity	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	150,252	-	150,252
Other	19,232	233,633	252,865
State sources	142	-	142
Total revenues	<u>169,626</u>	<u>233,633</u>	<u>403,259</u>
Expenditures:			
Instruction:	91,461	215,847	307,308
Support services:			
Administration	4,568	-	4,568
Plant operation and maintenance	49,649	-	49,649
Student transportation	13,675	-	13,675
Other expenditures:			
Facilities acquisition and construction	-	-	-
Total expenditures	<u>159,353</u>	<u>215,847</u>	<u>375,200</u>
Excess (deficiency) of revenues over (under) expenditures	10,273	17,786	28,059
Fund balances beginning of year	<u>194,882</u>	<u>139,005</u>	<u>333,887</u>
Balance end of year	<u>205,155</u>	<u>156,791</u>	<u>361,946</u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Balance End of Year \$
DISTRICT-WIDE ACCOUNTS				
Paperback Books	121	5,818	5,802	137
Field Trips	805	815	760	860
Athletic Booster Club	-	15,800	15,800	-
Wrestling Boosters	68	-	-	68
Band Booster Club	147	6,218	6,113	252
Partners in Education	261	6,858	4,686	2,433
Student Activity Interest	6	5,054	-	5,060
Elementary Track Program	-	158	156	2
Gate Receipts	13,169	51,192	7,731	56,630
	<u>14,577</u>	<u>91,913</u>	<u>41,048</u>	<u>65,442</u>
HIGH SCHOOL CLUBS AND ORGANIZATIONS				
Drama	5,500	-	4,310	1,190
Music Resale	500	1,245	1,249	496
Activity Tickets	-	7,106	-	7,106
Annual	5,590	2,770	3,604	4,756
Concessions	11,588	36,490	40,158	7,920
Cheerleaders	2,316	9,034	6,984	4,366
Honor Society	1,000	-	685	315
Student Council	1,312	1,269	642	1,939
Spanish Club	33	-	-	33
AFS Students	178	-	-	178
Thespian Club	3,210	5,165	5,335	3,040
Weightlifting Club	3,410	1,160	563	4,007
FFA	4,254	25,567	21,727	8,094
FCCLA	2,880	9,118	10,895	1,103
Activities Resale	1,910	6,572	7,645	837
Alternative HS Concessions	294	-	-	294
Class of 2007	(117)	850	442	291
Class of 2008	1,773	4,295	4,142	1,926
Class of 2009	783	2,790	1,048	2,525
Class of 2010	-	3,751	1,967	1,784
REACH Leadership Team	392	-	-	392
	<u>46,806</u>	<u>117,182</u>	<u>111,396</u>	<u>52,592</u>
HIGH SCHOOL ATHLETICS				
Cross Country	1,500	-	699	801
Golf	1,500	-	1,146	354
Boys Basketball	4,000	-	3,355	645
Football	8,000	-	6,099	1,901
Baseball	4,000	-	4,171	(171)

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Balance End of Year \$
HIGH SCHOOL ATHLETICS (continued)				
Boys Track	3,500	-	2,388	1,112
Boys Tennis	1,000	-	10	990
Wrestling	3,500	-	2,578	922
Girls Basketball	4,000	-	2,758	1,242
Volleyball	4,000	-	3,670	330
Softball	4,000	-	3,424	576
Girls Track	3,500	-	1,879	1,621
Girls Tennis	1,000	-	393	607
Athletic Director	18,000	4,512	12,761	9,751
	<u>61,500</u>	<u>4,512</u>	<u>45,331</u>	<u>20,681</u>
MIDDLE SCHOOL CLUBS AND ORGANIZATIONS				
Activity Tickets	-	3,850	-	3,850
Teachers	20	-	-	20
Science Fair	734	164	406	492
Music Resale	500	3,585	3,392	693
Yearbook	500	1,760	1,257	1,003
Student Council	1,000	5,081	4,305	1,776
Fiesta Bowl	42	-	-	42
Kirsch Vocational Fundraising	228	-	-	228
Activities Resale	727	3,390	2,888	1,229
IAMLE Conference	275	-	-	275
	<u>4,026</u>	<u>17,830</u>	<u>12,248</u>	<u>9,608</u>
MIDDLE SCHOOL ATHLETICS				
Track	1,500	-	1,259	241
Boys Basketball	1,700	-	720	980
Football	2,500	-	891	1,609
Wrestling	1,000	-	475	525
Girls Basketball	1,500	-	1,052	448
Volleyball	1,500	-	523	977
	<u>9,700</u>	<u>-</u>	<u>4,920</u>	<u>4,780</u>
ELEMENTARY SCHOOL ORGANIZATIONS				
Teachers	2,208	2,196	904	3,500
Jump Rope For Heart	188	-	-	188
	<u>2,396</u>	<u>2,196</u>	<u>904</u>	<u>3,688</u>
Total	<u>139,005</u>	<u>233,633</u>	<u>215,847</u>	<u>156,791</u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Fiduciary Net Assets
Private Purpose Trust Funds

June 30, 2007

Assets

Cash and pooled investments

Y-Teen Scholarship	Evelyn Warren Memorial	HS Teachers Scholarship Fund	CEA Scholarship	Port Stitt Estate	Swanson Fund
\$	\$	\$	\$	\$	\$
<u>2,584</u>	<u>73</u>	<u>327</u>	<u>1,013</u>	<u>73</u>	<u>569</u>
<u>2,584</u>	<u>73</u>	<u>327</u>	<u>1,013</u>	<u>73</u>	<u>569</u>
Net Assets					
<u>2,584</u>	<u>73</u>	<u>327</u>	<u>1,013</u>	<u>73</u>	<u>569</u>
<u>2,584</u>	<u>73</u>	<u>327</u>	<u>1,013</u>	<u>73</u>	<u>569</u>

Reserved for scholarships

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Fiduciary Net Assets
Private Purpose Trust Funds

June 30, 2007

	P. Mascher Memorial Scholarship	Spinler Memorial Scholarship	Mary Sperry Memorial Scholarship	Vernon Baker Scholarship	Total
	\$	\$	\$	\$	\$
Cash and pooled investments	629	503	225	26,539	32,535
	629	503	225	26,539	32,535
	629	503	225	26,539	32,535
	629	503	225	26,539	32,535

Assets

Net Assets

Reserved for scholarships

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2007

	Y-Teen Scholarship	Evelyn Warren Memorial	HS Teachers Scholarship Fund	CEA Scholarship	Port Stitt Estate	Swanson Fund
	\$	\$	\$	\$	\$	\$
Additions: Local sources: Interest on investments Contributions	26 - 26	1 - 1	- 1,783 1,783	445 - 445	- - -	- - -
Deductions: Instruction: Regular instruction: Supplies Other	- 300 300	- - -	- 1,627 1,627	- 300 300	- - -	- - -
Change in net assets	(274)	1	156	145	-	-
Net assets beginning of year	2,858	72	171	868	73	569
Net assets end of year	2,584	73	327	1,013	73	569

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2007

	P. Mascher Memorial Scholarship	Spinler Memorial Scholarship	Sperry Scholarship	Vernon Baker Scholarship	Total
	\$	\$	\$	\$	\$
Additions:					
Local sources:					
Interest on investments	-	-	-	682	1,154
Contributions	-	-	-	4,031	5,814
	-	-	-	4,713	6,968
Deductions:					
Instruction:					
Regular instruction:					
Supplies	-	-	-	-	-
Other	-	-	225	500	2,952
	-	-	225	500	2,952
Change in net assets	-	-	(225)	4,213	4,016
Net assets beginning of year	629	503	450	22,326	28,519
Net assets end of year	629	503	225	26,539	32,535

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Fiduciary Net Assets
Agency Funds

June 30, 2007

	Nurse's Fund	American Field Service	Bossingham Fund	Ed Butler Memorial Fund	Pamida Foundation Fund	Total
	\$	\$	\$	\$	\$	\$
Assets						
Cash and pooled investments	6,551	572	2,080	477	548	10,228
	<u>6,551</u>	<u>572</u>	<u>2,080</u>	<u>477</u>	<u>548</u>	<u>10,228</u>
Liabilities						
Other payables	6,551	572	2,080	477	548	10,228
	<u>6,551</u>	<u>572</u>	<u>2,080</u>	<u>477</u>	<u>548</u>	<u>10,228</u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds

June 30, 2007

	Nurse's Fund	American Field Service	Bossingham Fund	Ed Butler Memorial Fund	Pamida Foundation Fund	Dorothy Miller Memorial	Total
	\$	\$	\$	\$	\$	\$	\$
Balance beginning of year	6,473	572	1,672	975	2,048	1	11,741
Additions:							
Contributions	500	-	3,000	300	-	199	3,999
Deductions:							
Miscellaneous	422	-	2,592	798	1,500	200	5,512
Balance end of year	6,551	572	2,080	477	548	-	10,228

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	3,329,578	3,214,315	3,133,655	3,270,094
Tuition	1,340,106	1,289,544	1,211,801	977,902
Other	549,427	418,243	470,490	424,448
State sources	4,687,776	4,231,693	3,973,876	3,758,827
Federal sources	552,471	608,309	487,546	430,049
Total	<u>10,459,358</u>	<u>9,762,104</u>	<u>9,277,368</u>	<u>8,861,320</u>
Expenditures:				
Instruction	6,319,374	6,028,470	6,061,203	5,459,715
Support services:				
Student	301,676	286,289	314,785	312,853
Instructional staff	345,284	180,067	61,141	125,829
Administration	905,626	865,768	722,024	710,941
Operation and maintenance of plant	814,612	802,665	717,553	771,170
Transportation	291,716	267,205	233,413	257,004
Other expenditures:				
Facilities acquisition	164,834	79,298	423,414	-
Debt Service				
Principal	495,000	450,000	350,000	330,000
Interest and service charges	131,865	166,473	306,487	284,448
AEA flowthrough	306,881	277,759	269,609	269,509
Total	<u>10,076,868</u>	<u>9,403,994</u>	<u>9,459,629</u>	<u>8,521,469</u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
Department of Agriculture:			
Iowa Department of Education:			
Food Distribution	10.550	FY07	<u>28,768</u>
School Nutrition Cluster Programs:			
National School Breakfast Program	10.553	FY07	34,819
National School Lunch Program	10.555	FY07	<u>138,123</u>
			<u>172,942</u>
Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	1197-G-07	98,454
Title I Grants to Local Educational Agencies	85.010	1197-GC-07	5,024
Title I Grants to Local Educational Agencies	84.010	1197-D-07	<u>305,278</u>
			<u>408,756</u>
Safe and Drug-Free Schools and Communities -			
States Grants	84.186	FY07	3,635
Innovative Education Program Strategies	84.298	FY07	1,586
Grants for Assessments and Related Activities	84.369	FY07	8,827
Improving Teacher Quality - States Grants	84.367	FY07	46,173
Iowa Western Community College			
Vocational Education - Basic Grants to States	84.048	FY07	10,943
Loess Hills Area Education Agency 13			
Special Education - Grants to States	84.027	FY07	<u>57,498</u>
Total			<u><u>739,128</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Clarinda Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basis financial statements.

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
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- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Clarinda Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Clarinda Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 28, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clarinda Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Clarinda Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clarinda Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Clarinda Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Clarinda Community School District's financial statements that is more than inconsequential will not be prevented or detected by Clarinda Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood a material misstatement of financial statements will not be prevented or detected by Clarinda Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item 07-II-A is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clarinda Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clarinda Community School District and other parties to whom Clarinda Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Clarinda Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

January 4, 2008

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

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- Computerized Financial Statements
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- Extended Hours During Tax Season

To the Board of Education of the
Clarinda Community School District:

Compliance

We have audited the compliance of Clarinda Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Clarinda Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Clarinda Community School District's management. Our responsibility is to express an opinion on Clarinda Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clarinda Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Clarinda Community School District's compliance with those requirements.

In our opinion Clarinda Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Clarinda Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Clarinda Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clarinda Community School District's internal control over compliance.

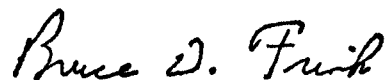
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 07-III-A to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 07-III-A to be material weakness.

Clarinda Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Clarinda Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clarinda Community School District and other parties to whom Clarinda Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



BRUCE D. FRINK
Certified Public Accountant

January 4, 2008

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The District's major program was as follows:
 - CFDA Number 84.010 - Title I Grants to Local Education Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Clarinda Community School District did not qualify as a low-risk auditee.

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

07-II-A SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

Part III: Findings For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number: 84.010 Title I Grants to Local Education Agencies

Agency Number: 1197-G-07, 1197-GC-07, 1197-D-07

Federal Award Year: 2007

US Department of Education

Passed through Iowa Department of Education

07-III-A Segregation of Duties over Federal Funds - The District did not properly segregate custody, record-keeping and reconciling functions for funds, including those related to Federal programs.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting:

- 07-IV-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2007.
- 07-II-B Certified Budget - Expenditures for the year ended June 30, 2007 exceeded the certified budget amount in the Support Services function.
- Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion - Response accepted.
- 07-IV-C Questionable Disbursements - No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 07-IV-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 07-IV-E Business Transactions - No business transactions between the District and District officials or employees were noted.
- 07-IV-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 07-IV-G Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- 07-IV-H Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 07-IV-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 07-IV-J Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.